

Message Text

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ACTION AID-59

INFO OCT-01 EA-10 ISO-00 EB-08 L-03 IGA-02 CIAE-00

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 5578

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PASS AGRICULTURE AND AID

E.O. 11652: N/A

TAGS: EAID, EAGR, ID

SUBJECT: SECOND AMEDMENT TO TITLE I, PL 480 AGREEMENT

DATED MAY 17, 1977

REF: STATE 292657

1. SIGNING OF SECOND AMENDMENT TO TITLE I PL 480 AGREEMENT OF MAY 17, 1977 SCHEDULED NOW FOR 10:00 AM DECEMBER 16 AS ACTING FOREIGN MINISTER NOT AVAILABLE ON DECEMBER 15. SIGNATORIES WILL BE AMBASSADOR AND ACTING FOREIGN MINISTER PROFESSOR MOCHTAR KUSUMAATMADJA.

2. LIST OF PROJECTS TO BE ATTACHED TO SIDE LETTER QUOTED BELOW DEVELOPED AND AGREED WITH BULOG HEAD GENERAL ARIFIN ON DECEMBER 14. ON DECEMBER 14 AG ATTACHE ADVISED BY GENERAL ARIFIN THAT MINISTER WIDJOJO INSISTED PROJECT LIST MUST BE RELATED TO SELF HELP PROVISIONS OF PL 480 AGREEMENT AND THAT REQUIRED SEMI ANNUAL REPORTING WOULD BE HANDLED IN SAME MANNER AS ANNUAL SELF HELP REPORT - I.E., BY GOI INTRAGOVERNMENTAL GROUP - BUT, IN THIS CASE, ADDRESSED TO SPECIFIC PROJECTS AND IN DETAIL. FOLLOWING IS TEXT OF SIDE LETTER AND PROJECT STATEMENT TO BE ATTACHED. IT WILL BE NOTED A SLIGHT CHANGE HAS BEEN MADE IN TEXT OF LETTER TO INSERT WORDS QUOTE SELF HELP FOR UNQUOTE BETWEEN WORDS THE AND DEVELOPMENT IN FIRST

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SENTENCE OF SECOND PARAGRAPH.

QUOTE DEAR MR. MINISTER: THIS LETTER SETS FORTH OUR MUTUAL UNDERSTANDING REGARDING THE USE OF COMMODITIES OR SALES PROCEEDS UNDER THE SECOND AMENDMENT TO THE TITLE I PL 480 AGREEMENT DATED MAY 17, 1977.

PA-

RAGRAPH THE LIST ATTACHED TO THIS LETTER INDICATES THE SELF-HELP

FOR DEVELOPMENT PROJECTS THAT WILL BE UNDERTAKEN WITH THE PL 480 COMMODITIES PROVIDED UNDER THE SECOND AMENDMENT TO THE TITLE I PL 480 AGREEMENT DATED MAY 17, 1977, OR WITH THE PROCEEDS GENERATED BY THE SALE, AND PROVIDES A BRIEF DESCRIPTION OF THE MANNER IN WHICH THOSE MOST IN NEED WILL BE THE PRIMARY BENEFICIARIES. AS PART OF ITS CONTINUING PROGRAM, THE GOVERNMENT OF INDONESIA WILL INFORM THE GOVERNMENT OF THE UNITED STATES OF SUCH USE OR PROSPECTIVE USE SEMI-ANNUALLY, COMMENCING WITHIN SIX MONTHS OF THE FIRST DELIVERY OF THE COMMODITIES PROVIDED UNDER THE REFERENCED PL 480 AMENDMENT. PARAGRAPH THE GOVERNMENT OF INDONESIA ALSO UNDERSTANDS THAT ANY PART OF THE COMMODITIES MAY BE EXCLUDED FROM THESE PROCEDURES BY SUBSEQUENT AGREEMENT OF THE PARTIES. PARAGRAPH YOUR RESPONSE WILL INDICATE AGREEMENT BY THE GOVERNMENT OF INDONESIA WITH THE CONTENTS OF THIS LETTER AND ITS ATTACHMENT. SINCERELY, EDWARD E. MASTERS AMBASSADOR.

(ATTACHMENT TO LETTER) QUOTE

LIST OF DEVELOPMENT PROJECTS

1. IRRIGATION; TERTIARY AND QUATERNARY CANAL CONSTRUCTION - \$40 MILLION

THE LARGE INVESTMENT IN CONSTRUCTION OF PRIMARY IRRIGATION SYSTEMS IS OFTEN UNPRODUCTIVE UNTIL THE TERTIARY AND QUATERNARY CANALS ARE COMPLETED. DELAYS IN THE CONSTRUCTION OF THESE CANALS LIMITED OFFICIAL USE

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HAVE BEEN SOMETIMES ENCOUNTERED DUE TO THE LACK OF ADEQUATE TRAINED MANPOWER AND FUNDS. THE INDONESIAN GOVERNMENT RECENTLY DECIDED TO INITIATE A NEW PROGRAM TO SUPPORT THE CONSTRUCTION OF TERTIARY AND QUATERNARY CANAL SYSTEMS AND A LARGE AMOUNT OF RESOURCES WILL BE ALLOCATED FOR THIS PURPOSE. THE AVERAGE FARM SIZE IN INDONESIA IS ABOUT ONE-HALF HECTARE AND THE AVERAGE INCOME PER PERSON IN THE RURAL AREAS IS EXTREMELY LOW. THUS, BY INCREASING PRODUCTION OF THE IRRIGATION SYSTEMS THIS PROJECT WILL DIRECTLY CONTRIBUTE TO IMPROVING THE INCOME AND WELL-BEING OF A LARGE NUMBER OF PEOPLE IN THE RURAL AREAS.

2. SEDANG/KECIL IRRIGATION - \$30 MILLION

THE PURPOSE OF THE SEDANG/KECIL IRRIGATION PROGRAM IS TO CONSTRUCT AND REHABILITATE SMALL AND MEDIUM SIZE IRRIGATION SYSTEMS, MOSTLY OFF JAVA. THESE IRRIGATION SYSTEMS ARE GENERALLY FROM 500 TO 1,000 HECTARES IN SIZE AND ARE AIMED AT PROVIDING SMALL FARMERS WITH AN AVERAGE FARM SIZE OF ONE-HALF HECTARE WITH IRRIGATION SERVICES. FARMERS BENEFITING FROM THE PROGRAM WOULD BE ABLE TO SWITCH TO HIGH YIELD VARIETIES OF SEED WHICH REQUIRE WATER CONTROL AND THEREBY INCREASE THEIR INCOMES BY GROWING TWO CROPS OF RICE PER YEAR.

3. FARM TO MARKET ROADS ON JAVA AND IN ISOLATED PRODUCTION AREAS
OF THE OUTER ISLANDS - \$30 MILLION

INADEQUATE INFRASTRUCTURE IN THE FORM OF FEEDER ROADS IS A
SERIOUS BOTTLENECK TO THE DEVELOPMENT OF THE POTENTIAL OF SEVERAL
RURAL AREAS, PARTICULARLY ON THE OUTER ISLANDS. MANY OF THE
POOREST AREAS EXIST IN VIRTUAL ISOLATION BECAUSE OF THE DIFFICULTY
AND EXPENSE OF LAND COMMUNICATIONS; TO A LARGE EXTENT, IT IS NOT
ECONOMICALLY VIABLE TO TRANSPORT SURPLUS AGRICULTURAL PRODUCTION
OUT OR REQUIRED AGRICULTURAL INPUTS INTO THESE AREAS. THE
CONSTRUCTION AND REHABILITATION OF FEEDER ROADS TO SERVICE RURAL
AND REMOTE DEVELOPMENT AREAS WILL DIRECTLY AFFECT THE WELL-BEING
OF THESE PREDOMINATELY POOR, RURAL POPULATIONS. THE DIRECT BENEFITS
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WILL BE THE REDUCTION IN TRANSPORTATION AND TRAVEL COSTS WHICH WILL
FACILITATE THE MARKETING OF AGRICULTURAL PRODUCTION. IN ADDITION,
COMMUNICATION OF POPULATIONS IN AREAS SERVED BY FEEDER ROADS WILL
FACILITATE MORE RAPID AND EXTENSIVE EXPOSURE TO SOCIAL SERVICES,
INCLUDING HEALTH AND EDUCATION, AND THUS IMPROVE THEIR OVERALL
WELL-BEING. DURING THE PERIOD OF CONSTRUCTION, THE PROJECT WILL
ALSO RESULT IN SUBSTANTIAL EMPLOYMENT AND INCOME FOR LANDLESS
LABORERS AND UNEMPLOYED OR UNDEREMPLOYED PEOPLE IN SELECTED AREAS.
UNQUOTE

3. AGREED MINUTES APPENDED TO TITLE I PL 480 AGREEMENT MAY 17, 1977
HAVE BEEN REVISED TO INCORPORATE REVISIONS IN PL 480 LEGISLATION
AND REGULATIONS CONTAINED IN PARAGRAPH A REFTEL. THESE
REVISED MINUTES WILL BE SIGNED AS PREVIOUSLY BY BULOG HEAD
AND AG ATTACHE.

DECONTROL UPON SIGNING OF AGREEMENT AMENDMENT
MASTERS

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